



Bank of Russia



TALKING TRENDS
Economy and markets

Research and Forecasting Department Bulletin

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The views and recommendations expressed in the bulletin do not necessarily reflect the official position of the Bank of Russia.

Please send your comments and suggestions to djp1@cbr.ru

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Executive summary

Monthly summary

- Economic activity rose in October, according to recent statistics and survey data. Flash readings for November suggest that output and demand dynamics were more subdued than in October. Data show overly diverse trends across industries and sectors. While non-energy exports, certain investment-linked industries and consumer-facing sectors gathered momentum, other sectors invariably showed downward trends in output. October saw an acceleration in seasonally adjusted growth of consumer prices. While most indicators of underlying inflation in consumer goods recorded a marginal increase, their annualised growth overall remains within a 4–6% range. This means that core inflationary pressure has over recent months remained elevated on average. The same is true of household and business inflation expectations. However, flash readings for November evidence a deceleration in seasonally adjusted price growth in recent weeks relative to September–October.
- With competition for labour gradually fading, wage growth is slowing, which helps narrow its gap with productivity gains. Consumer demand is set to moderate if saving remains attractive. This will result in slower growing consumer prices. Between late 2025 and early 2026, price movements are expected to be driven by one-off factors linked to increased taxes and duties as well as regulated rates. They likely already translated into a significant increase in short-term inflation expectations of households and businesses in the October to November period. Future monetary policy decisions will have to account for the duration and scale of the impact of these one-off factors on inflation expectations in coming months.
- The easing of price monetary conditions on the back of higher inflation expectations and lower money market interest rates is spurring increased lending. Should fiscal policy normalise in line with the three-year budget, the public sector will make a smaller contribution to aggregate demand and growth in monetary aggregates. Credit activity in recent months is broadly aligned with a deceleration in underlying inflation expected next year.
- In the Russian bond market, yields have overall declined since late October. This reflects expectations of a gradual monetary easing and successful OFZ placements by the Finance Ministry. Equity markets were directionless, primarily responding to geopolitical news. In this setting, the ruble slightly strengthened.

1. Inflation

All stable factors signal further deceleration of annual inflation in 2026, even allowing for one-off pro-inflationary factors arising from hikes in duties, taxes, and housing and communal services prices. That said, the stable components of consumer price rises remain elevated and so far are not showing a clear downward trend.

Therefore, annual inflation deceleration to 4% requires tight monetary policy to be maintained as long as it takes the slowdown of sustainable price growth components to fully consolidate and inflation expectations to decline. Some increase in already elevated household and business inflation expectations, suggested by the latest data and likely associated with the tax innovations forthcoming in 2026, further highlights the need to refrain from hasty conclusions that the period of high inflation is coming to an end.

1.1. Persistent inflationary pressure remains elevated

- Month-on-month acceleration in price growth recorded in October gave place to its slowdown in November. This was to a great extent driven by temporary factors.
- Annual inflation is continuing to slow as the high rates of price growth in the last months of 2024 depart from the calculation base. Persistent inflationary pressure so far stays above target.
- Household and business inflation expectations have again risen in recent months, approaching the level recorded in late 2024 – early 2025. This is likely due to expectations of effects from tax initiatives. Whether these effects will be significant and lasting can only be assessed in the coming months.
- For inflation to return to target, tight monetary policy needs to be maintained for a lengthy period.

Consumer price growth accelerated to 7.1% MoM SAAR in October from 6.6% MoM SAAR in September (Table 1, Figure 1, Figure 2). The price rise acceleration was driven by both temporary factors and an increase in persistent inflationary pressure.

The impact of temporary pro-inflationary factors in October was chiefly realised through fuel and fruit and vegetable price rises. However, these components became disinflationary as early as November. Petrol and diesel price growth remained very steep throughout October. As the production of refined petroleum products recovered and demand seasonally declined, their wholesale prices started to slide, bringing price growth at petrol stations to a halt in November. The deviation of fruit and vegetable prices from their normal seasonal pattern increased in October, making up for their accelerated price decline in the summer months. In November, the price vector of this component returned to its seasonal norm, given [a higher harvest than in the previous year](#). That said, the effect of the exchange rate on prices in Octo-

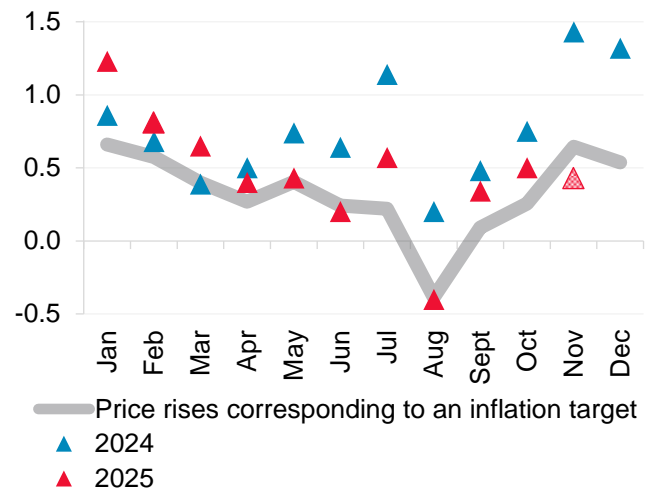
ber tended to be disinflationary, since the difference between prices heavily and weakly sensitive to the exchange rate widened again as the ruble strengthened (Figure 3). The picture was, by all tokens, similar in November.

Table 1. Inflation and its components

	Oct. 2023	Oct. 2024	Aug. 2025	Sept. 2025	Oct. 2025
% YoY					
All goods and services	6.7	8.5	8.1	8.0	7.7
Core inflation	5.5	8.2	8.0	7.7	6.9
Food	6.0	9.0	9.8	9.5	9.3
Non-food goods	5.1	5.7	3.9	3.8	3.8
Services	9.9	11.3	11.1	11.1	10.4
% MoM SAAR					
All goods and services	10.1	10.3	3.9	6.6	7.1
Core inflation	13.3	13.4	4.0	4.6	5.0
Food	12.3	10.8	2.9	5.4	8.7
- net of fruit and vegetables	14.0	13.1	5.1	5.3	6.5
Non-food goods	5.4	7.0	4.5	6.1	6.9
- net of refined petroleum products	9.5	7.0	1.7	1.9	2.5
Services	13.2	13.7	4.8	8.6	5.3
- net of housing and communal services	16.0	17.7	5.0	11.1	5.8

Sources: Rosstat, R&F Department estimates.

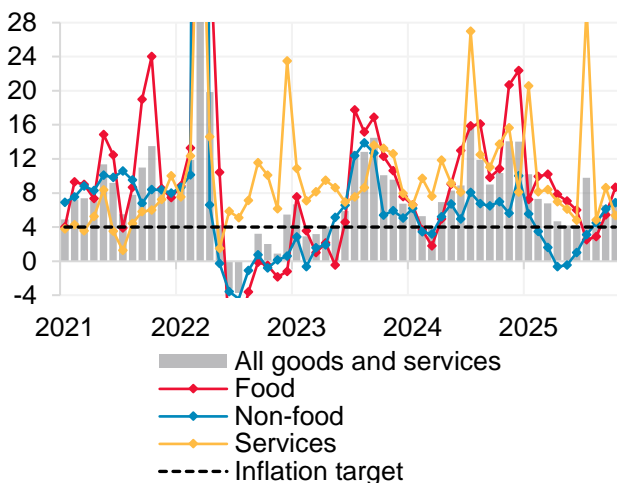
Figure 1. Price growth corresponding to an inflation rate of 4% MoM



Note. November 2025: preliminary estimate based on weekly data, seasonality estimated for 2024.

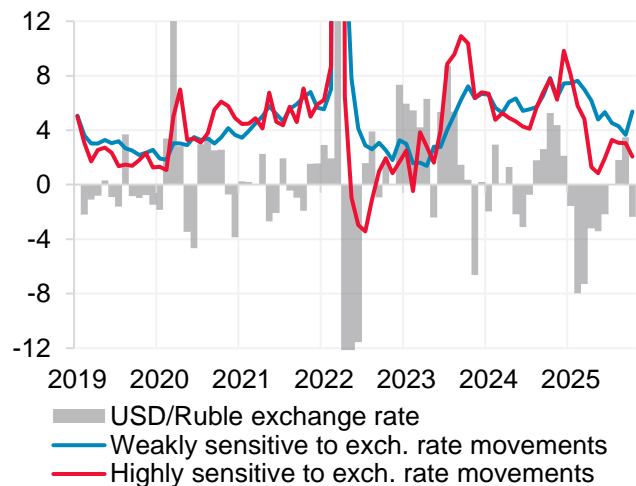
Sources: Rosstat, R&F Department estimates.

Figure 2. Seasonally adjusted price growth, % MoM SAAR



Sources: Rosstat, R&F Department estimates.

Figure 3. Median CPI (% MoM SAAR) and US dollar to ruble exchange rate (%)

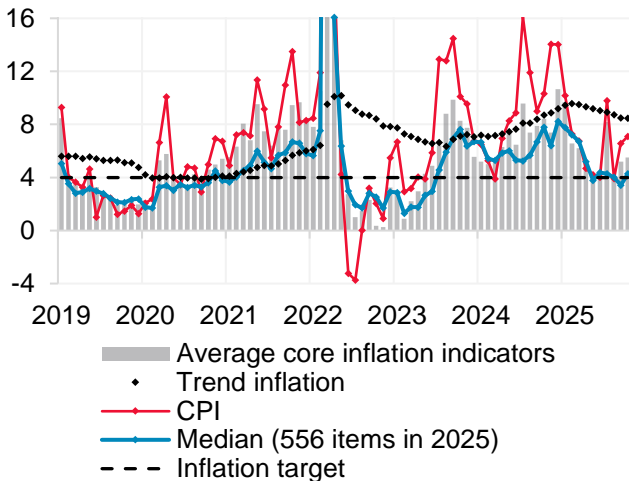


Sources: Rosstat, R&F Department estimates.

October's acceleration of stable components relative to September is evidenced by most analytical indicators (Figure 4, Figure 5). Price growth in some unregulated components of services (personal and health services) also gained pace, remaining almost three times as fast

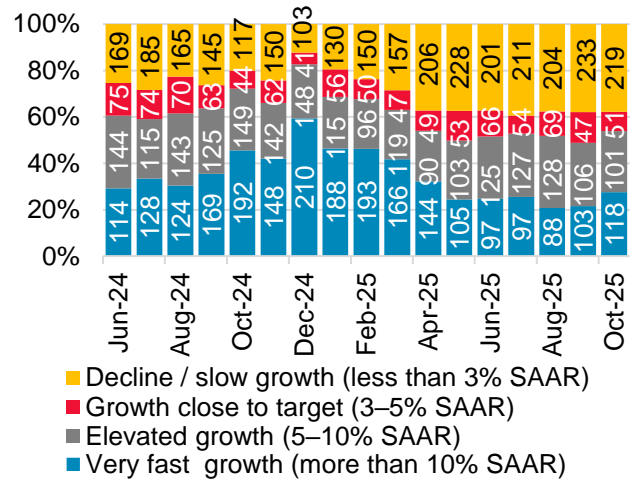
as the target rate. The decomposition of price growth into demand and supply shocks¹ suggests an increase in the contribution of demand-side factors in October after a marked decline in Q3² (Figure 6). Their contribution slightly exceeded 4% SAAR, with a pro-inflationary input of supply-side shocks remaining substantial.

Figure 4. Modified core inflation indicators* (% in annualised terms) and trend inflation estimate (%YoY)



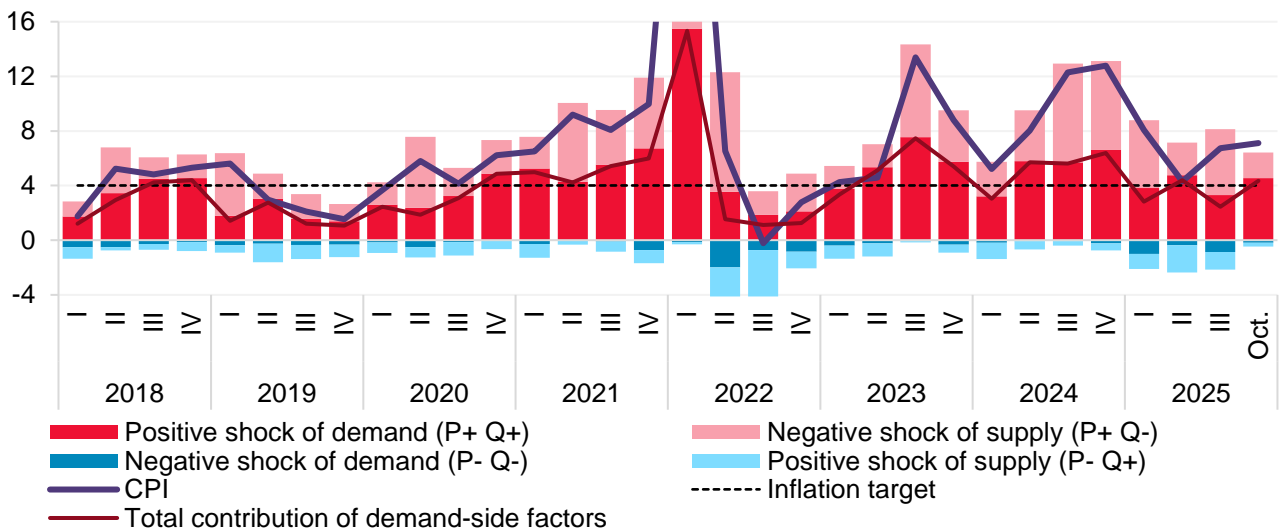
* Indicators are computed using the method of excluding the most volatile components and the truncation method.
 Sources: Rosstat, R&F Department estimates.

Figure 5. Total weight of goods and services* distributed based on seasonally adjusted price growth



* Net of fruit and vegetables, and regulated services.
 Note: Figures stand for the number of items.
 Sources: Rosstat, R&F Department estimates.

Figure 6. Price growth decomposition,* % QoQ SAAR



* The diagram uses Rosstat data on CPI and retail sales (in physical terms for 45 categories of goods and services with a total weight of more than 80% of the consumer basket). The idea of the method is based on the baseline model of aggregate demand and supply: if changes in price (P) and volume of consumption (Q) are oppositely directed, then the cause of these changes is deemed to be a shift of the supply curve; if changes are codirectional, then the cause is the shift of the demand curve. Unlike the key method of the source paper, detrending is not conducted.

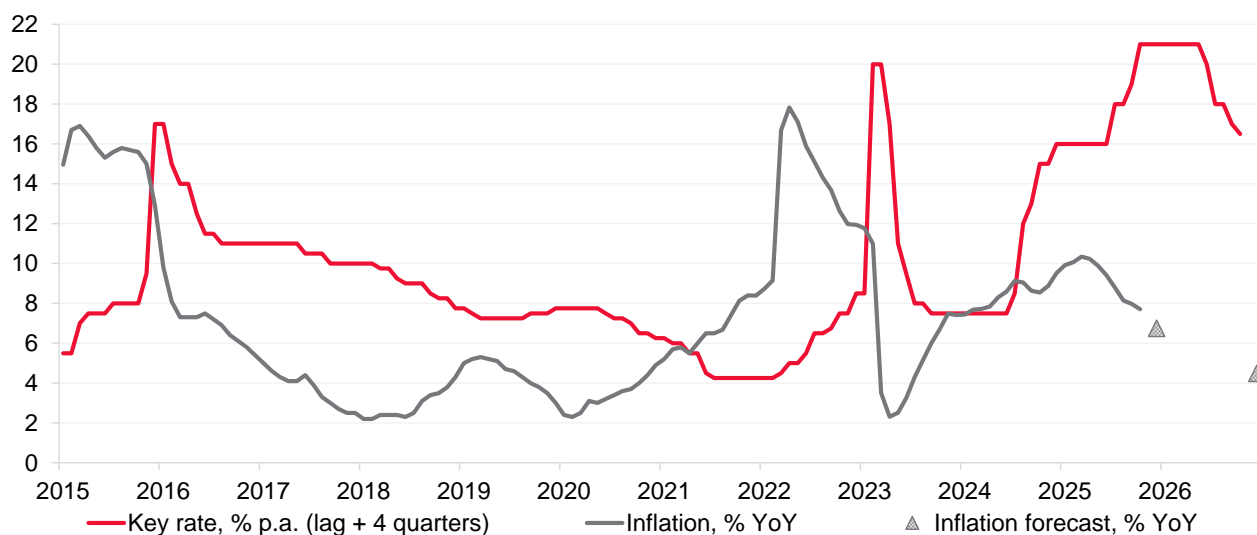
Sources: Rosstat, R&F Department estimates.

¹ Sheremirov V. (2022). Are the Demand and Supply Channels of Inflation Persistent? Evidence from a Novel Decomposition of PCE Inflation. Federal Reserve Bank of Boston Current Policy Perspectives. November 4, 2022.

² Q3 price movements were chiefly affected by those in September, which saw a marked decline in the sales of food categories with a large weight in the basket, experiencing accelerated price growth (fruit and vegetables, livestock products).

Month-on-month seasonally adjusted price growth significantly slowed in November (Figure 1). Based on weekly data, it came in below the 4% path and the pace of growth recorded in September–October in seasonally adjusted terms. However, a truly accurate estimate, including that of stable price growth indicators, can only be made upon obtaining full inflation statistics for November, to be released on 10 December.

Figure 7. The Bank of Russia's key rate and inflation

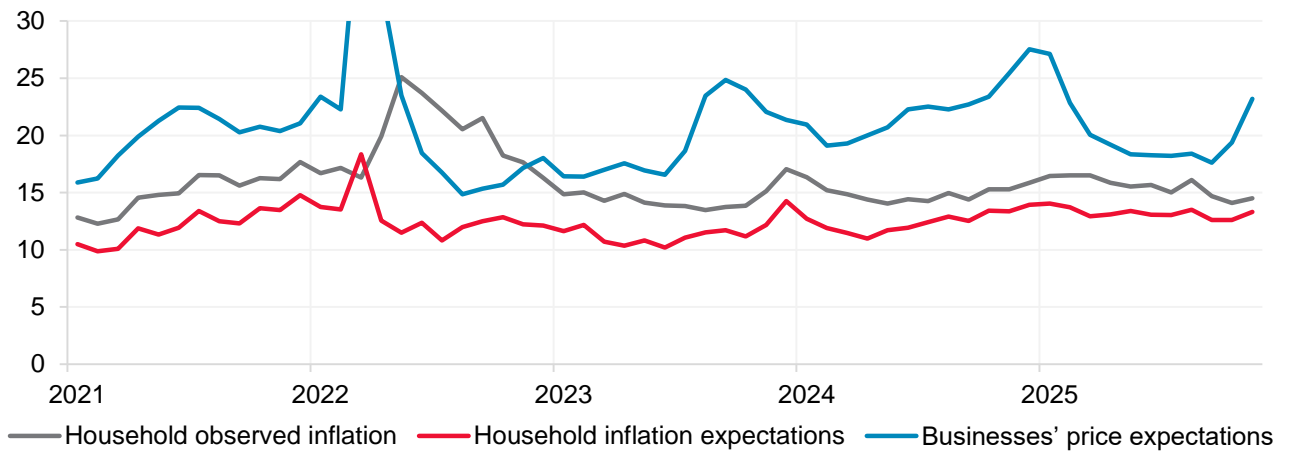


Sources: Rosstat, Bank of Russia.

Overall, disinflationary processes slowed towards the end of Q4. [According to Bank of Russia estimates, monetary policy decisions gradually translate into the CPI within 3–6 quarters.](#) Therefore, a significant part of the effect from monetary policy tightening in the second half of 2024 has already been reflected in the inflation trajectory (Figure 7). Allowing for the time lags of the transmission mechanism in the coming quarters, the restraining impact on prices should continue. However, for inflation to return to 4% and get entrenched at that level, the key rate trajectory (monetary policy tightness) should remain high.

The need to maintain a tight monetary stance for a lengthy period is also borne out by a rise in inflation expectations. November saw [businesses' price expectations](#) hit the highest level since January 2025 (Figure 8). In particular, a rise in consumer goods producers' price expectations continued. Household price expectations climbed and stayed at an elevated level. The inflation expectations level is close to the readings of early 2025, which saw much faster price rises.

Overall, the balance of risks remains shifted towards pro-inflationary ones. At the start of 2026, prices will see the effect of a VAT hike and other tax innovations. The direct effect of the tax hike on prices is one-off in nature but it is highly likely that significant secondary effects on prices via rises in inflation expectations will emerge. It appears from the latest survey data that companies have already started to feel this effect.

Figure 8. Household (% YoY) and business inflation expectations (balance of responses, % SA)

Sources: Bank of Russia, inFOM.

2. Economic performance

The autumn months saw economic activity remain close to the levels reached in the summer. That said, the situation continues to vary across segments. Indeed, the consumer goods segment keeps up growth fuelled by a rise in household income and consumer demand. Some components of non-oil and gas exports are also expanding. A number of civilian manufacturing industries are experiencing a drop in demand and output.

A gradual easing of labour market tightness started to make an increasingly notable impact on wage growth, slowing it. The narrowing of the gap between wage and productivity growth will help persistent inflationary pressure ease.

Corporate and secured retail lending has rebounded following cuts in the key rate and other interest rates, which may have been also helped by rises in inflation expectations. Money supply expansion has also somewhat accelerated. Further fast easing of the monetary stance, which could spur the acceleration of rises in lending and monetary aggregates, may produce risks to a sustainable price growth slowdown to 4% next year. This should be taken into account in choosing the key rate trajectory in the coming months.

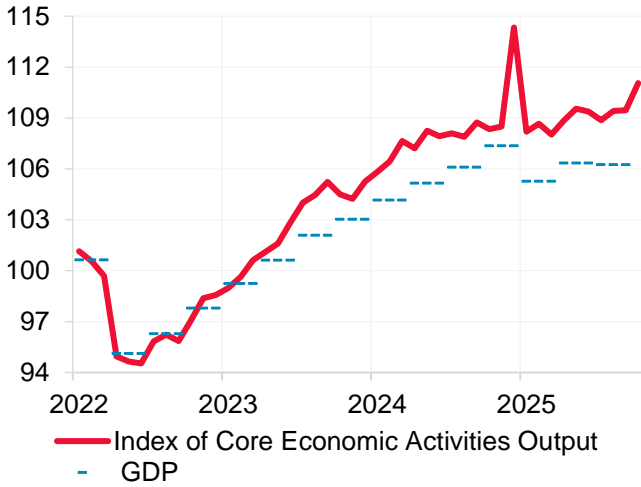
2.1. Economic activity stays at mid-year levels

- A gradual slowdown of the Russian economy's growth to 0.6% YoY in Q3 (1.6% YoY in Q2) reduced the deviation from a balanced growth trajectory (Figure 9).
- The slowdown was primarily concentrated in industries meeting domestic demand. This, above all, affected investment demand and to a lesser extent consumer demand. The

non-oil and gas part of exporting industries' output is expanding this year, partially making up for the weakening of domestic demand. The demand growth slowdown helped reduce persistent inflation indicators in the first half of 2025.

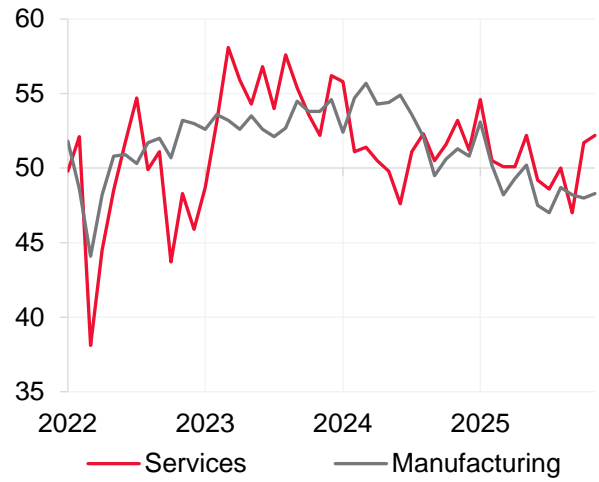
- Economic activity rebounded at the start of Q4, continuing to vary across industries, as signalled by real-time October–November surveys (Figure 10, Figure 11), which indicated poor performance of manufacturing industries and a rebound in the services sector.
- Rosstat's data for October bore out the activity rebound trend. Industrial output substantially expanded, driven by mining and quarrying (oil extraction growth as part of the OPEC+ deal) and investment goods industries in manufacturing oriented to government demand and showing elevated volatility. After an output drop in the summer months because of supply-side problems, intermediate goods industries (above all, manufacturing of refined petroleum products) also posted a recovery. Meanwhile, output in industries meeting non-government domestic demand remained close to the Q3 level (Figure 12, Figure 13).
- Gradual cooling of domestic demand, driven by, among other things, the maintenance of the Bank of Russia's tight monetary policy, helps gradual alleviation of labour market tightness. Real-time recruitment data (Figure 15) and survey results bear out a trend towards the further easing of personnel shortages (The Economic Forecasting Institute of the RF Academy of Sciences, The Bank of Russia). Companies' hiring expectations and applicants' perceptions about how easy it is to get a new job are becoming more moderate. The level remains close to the all-time low (Figure 17), although part-time employment indicators have somewhat risen (Figure 18).
- The gradual normalisation of the labour market situation is beginning to impact wage growth trends. The slowdown of labour income expansion in turn has a restraining effect on consumer demand (Figure 14). Household consumption growth in October was largely owed to a temporary surge in car sales ahead of the car recycling fee and VAT hikes. The tight monetary policy keeps the savings ratio at an elevated level, required for a gradual cooling of consumer activity growth to a more sustainable pace (Figure 16). Savings growth, meanwhile, is gradually shifting towards securities and real property.
- To consolidate the current trends, including the maintenance of the high level of household savings amid elevated inflation expectations, the restraining effect of monetary policy and the labour market on demand needs to be kept up.

Figure 9. Core economic activities output and GDP, Q4 2021 = 100, SA



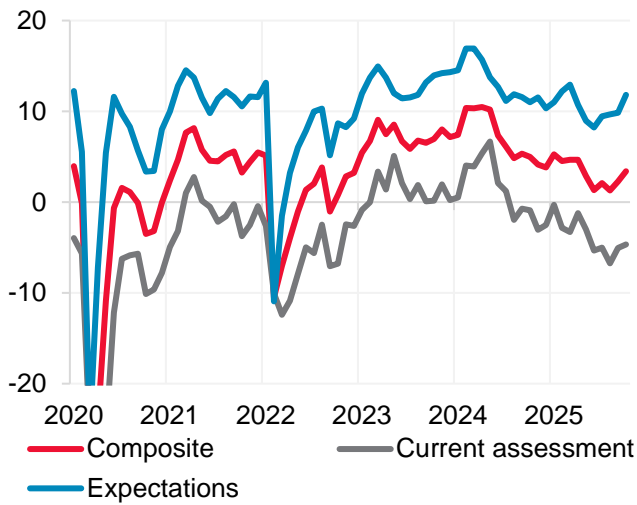
Sources: Rosstat, R&F Department estimates.

Figure 10. Russia's Manufacturing and Services PMI, points



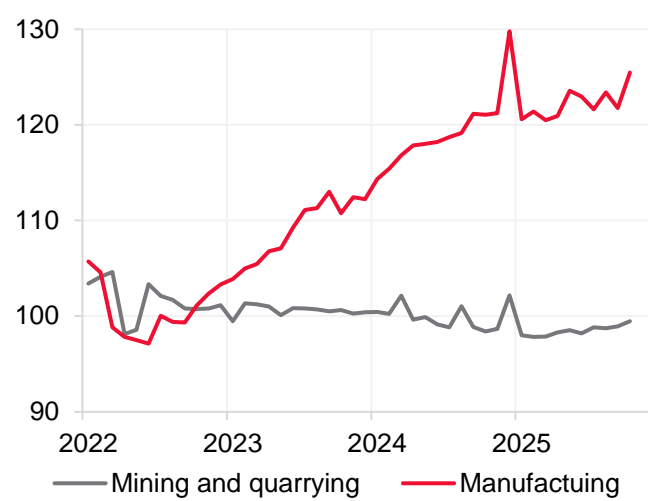
Source: S&P Global.

Figure 11. Bank of Russia's business climate indicator, SA, pp.



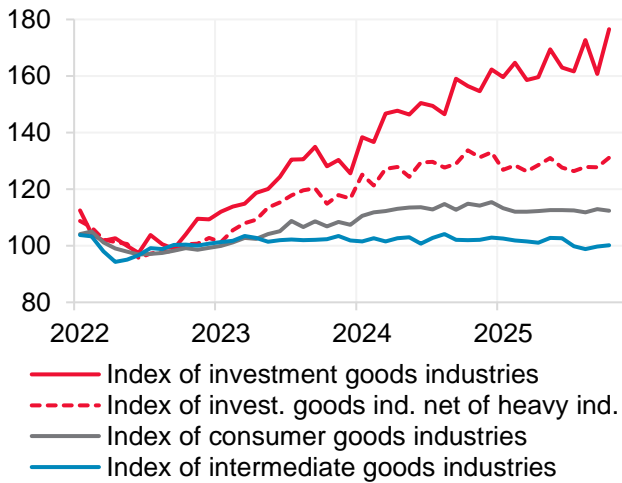
Source: Bank of Russia.

Figure 12. Mining and quarrying and manufacturing indices (2021 = 100), SA



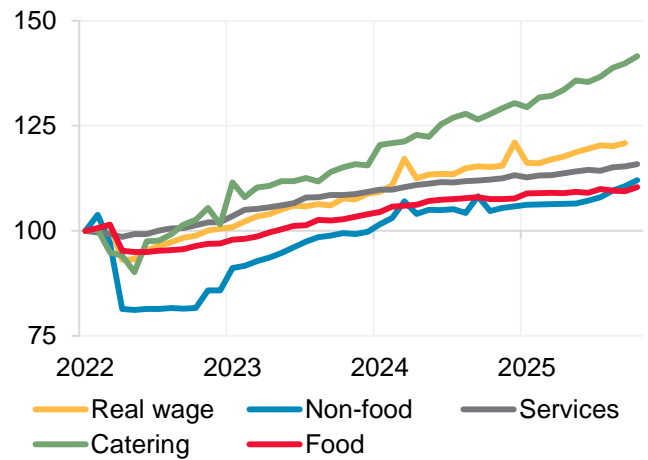
Sources: Rosstat, R&F Department estimates.

Figure 13. Output in groups of manufacturing industries, SA, 2021 = 100%³



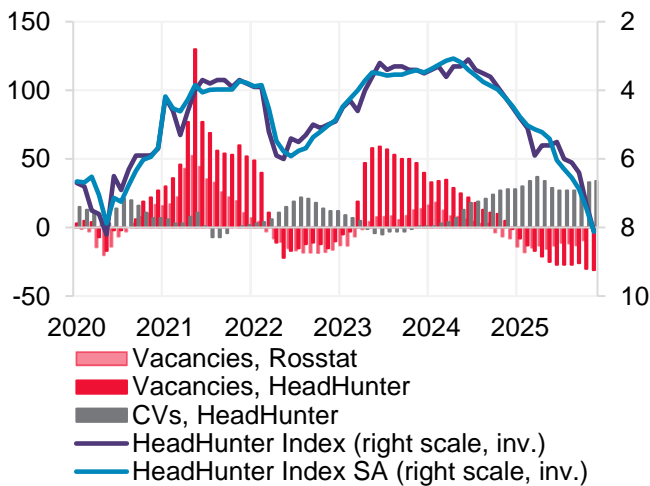
Sources: Rosstat, R&F Department estimates.

Figure 14. Real wage, retail segments, catering and services turnover, 01.2022 = 100, SA, %



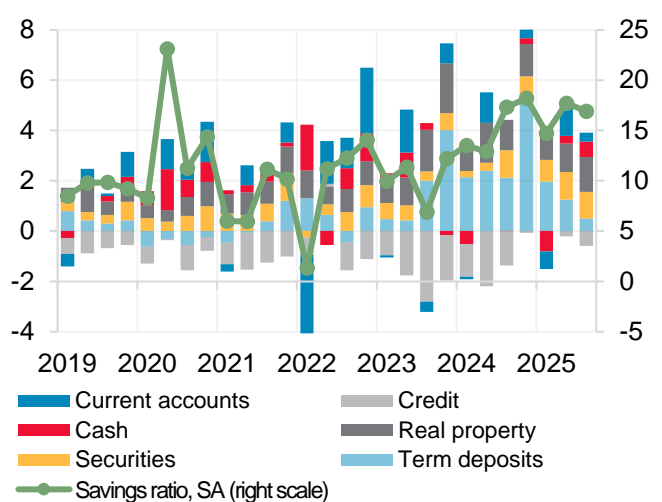
Sources: Rosstat, R&F Department estimates.

Figure 15. CVs, vacancies (% YoY) and HeadHunter index (points)



Sources: Rosstat, HeadHunter, R&F Department estimates.

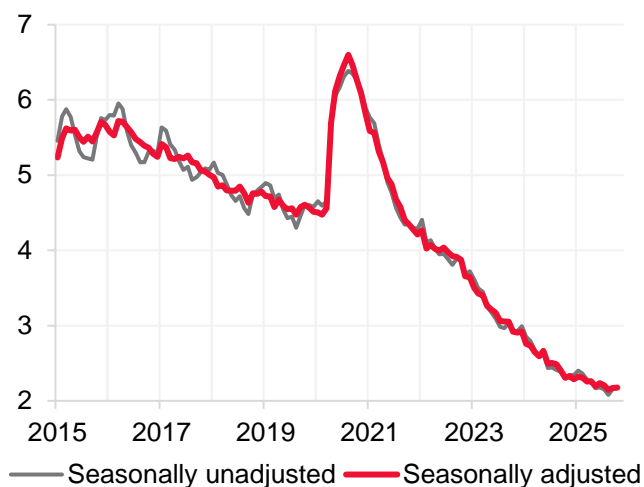
Figure 16. Savings components (trillion rubles) and savings ratio (% SA, RHS)



Sources: Rosstat, Bank of Russia, R&F Department estimates.

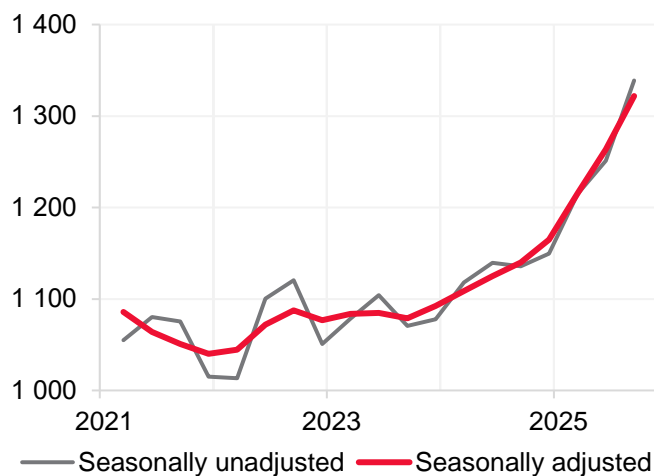
³ The “heaviest” in the group of investment goods industries are the manufacture of fabricated metal products, except machinery and equipment and other transport equipment.

Figure 17. Unemployment rate, %



Sources: Rosstat, R&F Department estimates.

Figure 18. Number of part-time workers, thousand people



Sources: Rosstat, R&F Department estimates.

2.2. Acceleration of lending and monetary aggregates' growth in October

- October's lending performance was generally in line with the trajectory of bringing inflation back to 4%. The credit impulse stayed in negative territory: this year bank lending growth is providing a much more modest input to aggregate demand expansion than a year ago (Figure 19). The credit impulse, however, somewhat increased in October, driven by, among other things, an acceleration in retail and corporate lending growth to 0.7% MoM SA and 1.4% MoM SA, respectively, from 0.1% MoM SA and 0.6% MoM SA⁴ in September.
- Lending expansion ensured an acceleration in money aggregates' growth: broad money supply, net of foreign exchange revaluation, increased 2.0% MoM SA after 0.6% MoM SA in September, with money supply rising 1.9% MoM SA after contracting 0.2% MoM SA. Money supply M2 accumulated from the start of the year stood at 5.0%.⁵ The last two months of a year usually see a seasonal spike in monetary aggregates. But this year, it will be more modest due to the redistribution of a considerable part of budget outlays to the year's start. Therefore, money supply growth may stay within the Bank of Russia's forecast range for end-2025 (7–10%).
- Lending acceleration was in part driven by a number of one-off factors. In the retail lending segment, the mortgage lending portfolio growth (Figure 21) may have been owed to an increase in demand ahead of the toughening of conditions under the Family Mortgage Lending programme as of 1 February 2026,⁶ while auto loans (Figure 22) surged – due to a temporary spike in demand in the run-up to a car recycling fee hike. The impact of the above factors may peter out before the end of the year.

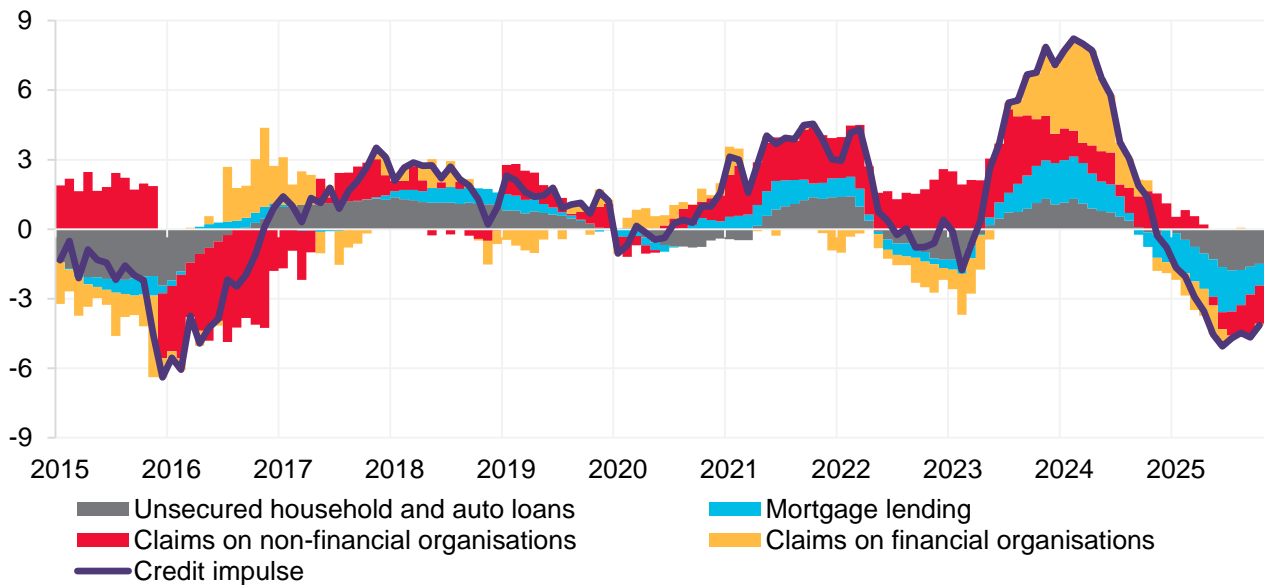
⁴ A total of corporate lending exclusive of foreign exchange revaluation.

⁵ According preliminary data as of 1 December, growth in money supply M2 stood at 6.5%.

⁶ One family – one loan.

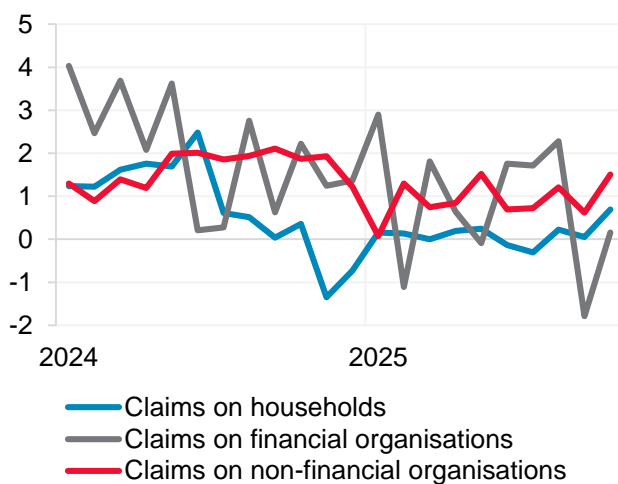
- The bank rate decline in the wake of the key rate cut spurred a rebound in market-based mortgage lending: a total of loans in October came in above the average in the second half of last year. Investments in real property remain a savings channel attractive to households.
- Corporate lending growth has stayed at a fairly high level throughout the year, which is, however, somewhat below the 2024 average. A significant input to lending growth comes from lending to borrowers less sensitive to tight monetary policy, e.g., housing developers. They borrow at rates below the average for the corporate portfolio, since those depend on the size of their escrow accounts. Growth in this part of the corporate portfolio may slow in the coming quarters if the [launching of new projects contracts](#).

Figure 19. Credit impulse, % of GDP



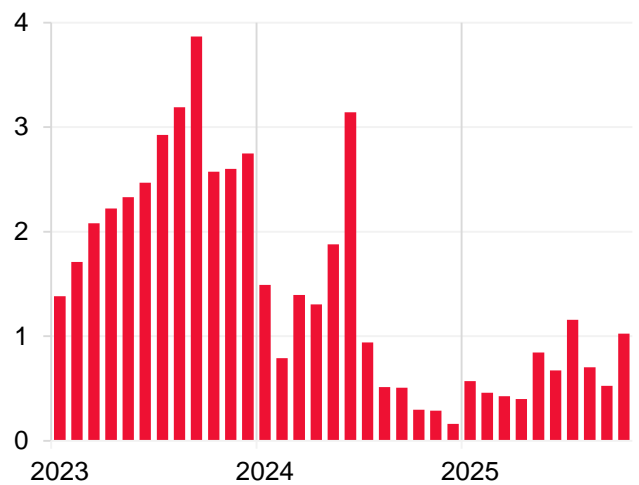
Sources: Bank of Russia, R&F Department estimates.

Figure 20. Banks' claims (ruble), % MoM SA



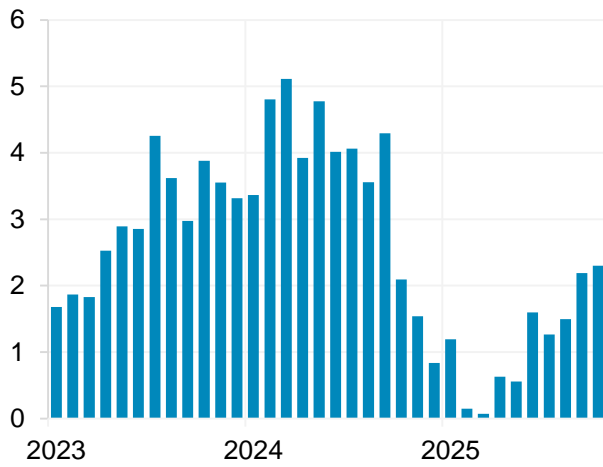
Sources: Bank of Russia, R&F Department estimates.

Figure 21. Ruble mortgage loan debt, adjusted for acquired rights of claim, % MoM SA



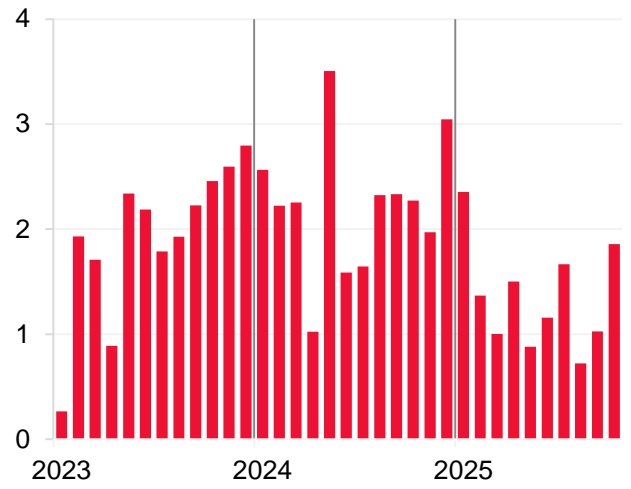
Sources: Bank of Russia, R&F Department estimates.

Figure 22. Car loan portfolio growth, % MoM SA



Sources: Bank of Russia, R&F Department estimates.

Figure 23. Growth in household funds at banks, % MoM SA



Sources: Bank of Russia, R&F Department estimates.

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